

Message Text

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46

ACTION NEA-10

INFO OCT-01 ISO-00 EB-07 AGR-05 SP-02 USIA-06 AID-05

NSC-05 CIEP-01 SS-15 STR-04 OMB-01 CEA-01 L-03 INR-07

CIAE-00 /073 W

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R 071514Z APR 76

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 1776

INFO USTREASURY WASHDC

C O N F I D E N T I A L CAIRO 4616

E.O. 11652: GDS

TAGS: EFIN EG

SUBJ: HIGHER INTEREST RATE FOR PL480 POUND HOLDINGS

REF: A) STATE 066445, (B) CAIRO 4277

1. MINFIN ABU ISMAIL RETURNED A FEW DAYS AGO FROM RIYADH. I MET WITH HIM TODAY TO DISCUSS VARIOUS MATTERS. AMONG OTHER THINGS, I GAVE HIM A LETTER RECALLING OUR EARLIER DISCUSSIONS ABOUT A HIGHER INTEREST RATE ON OUR PL 480 POUND HOLDINGS AND INDICATED OUR AGREEMENT TO A ONE PERCENT RATE FOR THE COMING YEAR WITH THE UNDERSTANDING THAT WE WILL REVIEW THE MATTER IN THE SECOND YEAR WITH A VIEW TO INCREASING THE RATE TO TWO PERCENT. THE LETTER ALSO ASKS THAT THE NEW INTEREST RATE BE INSTITUTED AT ONCE. TEXT WILL BE POUCHED.

2. AFTER READING THE LETTER, ABU ISMAIL DEMURRED ON MY PHRASEOLOGY THAT WE WILL REVIEW THE INTEREST RATE IN THE SECOND YEAR WITH VIEW TO INCREASING IT TO TWO PERCENT. I REMINDED HIM THAT HE HAD EARLIER SUGGESTED THIS FORMULA. HE AGREED THAT THE SUBJECT MIGHT BE REVIEWED IN SECOND YEAR, BUT DID NOT COMMIT HIMSELF ON A TWO PERCENT INTEREST RATE AT THAT TIME. THIS WAS SOMETHING THAT WOULD HAVE TO BE CONSIDERED IN THE LIGHT OF THE THEN PREVAILING CIRCUMSTANCES.

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3. ABU ISMAIL THEN SAID HE WILL GET IN TOUCH WITH

THE APPROPRIATE MINISTRIES TO ARRANGE THE ONE PERCENT
INTEREST RATE. I ASKED WHO WOULD HAVE TO BE INFORMED? HE
WAS A BIT VA73, BUT MENTIONED THE GOVERNOR OF CENTRAL BANK.
I RECALLED THAT I HAD EARLIER DISCUSSED THE SUBJECT WITH
FORMER GOVERNOR OF CENTRAL BANK, AHMED ZANDOU, WHO HAD
INSISTED THE QUESTION OF INTEREST RATES WAS ONE SOLELY
FOR THE MINFIN TO DECIDE (CAIRO 1284). ABU ISMAIL
SAID HE WOULD CHECK TO ASCERTAIN WHAT NEEDS BE DONE TO
PUT A HIGHER INTEREST RATE INTO EFFECT.
EILTS

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NNN

Message Attributes

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